

VI. ONE YEAR ACTION PLANS

MICHIGAN COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

1. Introduction

Under the Michigan CDBG Program, all projects must meet one of the following national objectives to be considered for funding:

- The activities will benefit persons of low and moderate income, as defined by Section 104(b)(3) of the Housing and Community Development Act and 24 CFR 570.483;
- The activities will aid in the prevention or elimination of slums or blight, as defined by 24 CFR 570.483; or
- The activities are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community which are of recent origin or which recently became urgent, where the community is unable to finance the activity on its own and where other financial resources are not available to meet such needs, as defined by 24 CFR 570.483.

2. Eligible Activities

Activities cited in Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended, are eligible for assistance.

COSTS OF PREPARING GRANT APPLICATIONS ARE NOT ALLOWABLE.

3. Eligible Applicants

Small cities, townships, and villages of less than 50,000 in population, and non-urban counties generally are eligible to apply for grants under the Michigan CDBG Program. There are over 1,600 eligible general purpose local governments and these governments are referred to as nonentitlement jurisdictions.

4. Ineligible Applicants

The following counties and their respective units of local governments are not eligible:

Genesee County (Flushing is the one community within Genesee County eligible to apply for Michigan CDBG funds)
Kent County (Cedar Springs is the one community within Kent County eligible to apply for Michigan CDBG funds)
Macomb County
Oakland County
Wayne County
Washtenaw County and the following units of government within the county are not eligible for Michigan CDBG funds:

Ann Arbor City
Ann Arbor Township
Bridgewater Township

Northfield Township
Pittsfield Township
Salem Township

Superior Township
Ypsilanti City
Ypsilanti Township

The following Michigan cities are not eligible to directly apply or directly receive Michigan CDBG Program, but an eligible county may apply for CDBG funds for eligible projects located in these cities:

Battle Creek
Bay City
Benton Harbor
East Lansing
Holland
Jackson

Kalamazoo
Lansing
Midland
Monroe
Muskegon
Muskegon Heights

Niles
Norton Shores
Portage
Port Huron
Saginaw

Indian tribes eligible for assistance under Section 107(a)(7) of the Housing and Community Development Act are not eligible to directly apply for or directly receive Michigan CDBG funds, but an eligible county or township may apply for Michigan CDBG funds for projects located on Indian reservations if the unit of general local government has the legal authority to fund such projects on Indian reservations and Indian preference is not provided.

5. Allocation of Funds

During the 2006 program year, the State expects to receive approximately \$37,681,898 from the U.S. Department of Housing and Urban Development (HUD) for the State of Michigan CDBG Program. The actual amount available may vary based on recapture and reallocation of other funds from previous allocations and the amount of program income received as well as the final appropriation. In addition, the actual distribution of allocated or unallocated amounts may vary according to the demand for funds and fundable grant applications. The initial and planned allocation of funds to individual categories will be on a pre-set percentage basis which will be applied to the final funding amount. By definition, a substantial amendment to the Consolidated Plan would result from a change in the method of distribution of funds if said change will cause an increase or decrease in the original allocation mix over 35%. In the last quarter of the program fiscal year, all unexpended funds will be transferred to the Capacity Enhancement Infrastructure category for expenditure as per the established criteria.

Initial distribution of HUD allocated funds, recaptured funds, and program income will be as follows:

CDBG Category	Allocation	Program Income	Total
1. Economic Development Grants	\$26,338,581	\$2,000,000	\$28,338,581
2. Housing Grants	\$9,112,860		\$9,112,860
3. Administration and Technical Assistance	\$ 1,230,457		\$ 1,230,457
Total	\$37,681,898	\$2,000,000	\$39,681,898

Other Funds. In addition to funds available for distribution, as allocated to the State by the federal government for the 2006 program year, other funds may become available for distribution. Such other funds may include:

- Unobligated grant balances allocated to the State under any previous program year;
- Unexpended grant obligations recovered under previous grants; and
- Any program income returned to the State.

It is estimated that the State will receive approximately \$2 million in program income during the 2006 program year. These funds will be redistributed for eligible community development projects under the discretionary in accordance with requirements of the 2006 CDBG program guidelines.

A. COMMUNITY DEVELOPMENT BLOCK GRANT FOR HOUSING: ONE-YEAR ACTION PLAN

1. General

Under the County Allocation or Housing Resource Fund, as administered by MSHDA, CDBG funds may be used by a community to meet demonstrated housing needs. Activities eligible for funding include, but are not limited to:

- Rehabilitation for homeowner, homebuyer or rental;
- New Construction of rental or homebuyer; in participation with a qualified community-based organization;
- Acquisition of sites on which buildings will be constructed for use or resale, including down payment assistance;
- Emergency Repair assistance (limited to 15% of funds for homeowner assistance);
- Demolition in support of a housing program or neighborhood revitalization effort;
- Clearance of toxic contaminants of property to be used for new construction of housing;
- Infrastructure improvements essential to an affordable housing project or program in a targeted neighborhood where at least 51 percent of the residents have incomes not exceeding 80 percent of the area median incomes;
- Site improvements to publicly owned land to enable the property to be used for new construction of housing, providing the improvements are undertaken while the property is still in public ownership;
- Cost of disposing real property, acquired with CDBG funds, which will be used for new construction of housing;
- Public Improvements including acquisition, construction, reconstruction and/or rehabilitation (including removal of architectural barriers to accessibility) of neighborhood facilities;
- Beautification projects are eligible activities when proposed under a comprehensive neighborhood or community revitalization effort involving the preservation or creation of affordable housing. Beautification projects include, but are not limited to: landscaping, planters, creating or improving parking lots, and façade improvements;
- Rehabilitation and/or acquisition of buildings utilized to house the homeless;
- Applicants may propose to use up to 15% of their county allocation award for public services which are directly related to supportive housing; and
- An applicant may request up to a maximum of 18 percent of a funding request for general administration. **Costs of preparing grant applications are not allowable.**

CDBG housing funds may be awarded to the following local units of government:

- Michigan non-entitlement counties.
- Non-entitled local units of government with a population over 3,000.
- Non-entitlement local units of government with a population not exceeding 3,000 if there is not a county-wide housing rehabilitation program in their county or the community is a core community or county seat.

MSHDA has an allocation process for awarding non-entitled counties funding for housing projects. Because this program has historically been funded from CDBG funds, this process is discussed in more detail below.*

County Allocation Process. Counties are eligible for funding on a two year grant cycle. The amount of the county's allocation awarded will be primarily based on the county's population. For counties with entitlement communities located in the county, the populations of entitlement communities will be subtracted from the total county population. **Projected maximum allocations amounts are as follows:**

POPULATION		MAXIMUM AMOUNT *
0	- 5,000	\$100,000
5,001	- 10,000	\$125,000
10,001	- 20,000	\$150,000
20,001	- 30,000	\$175,000
30,001	- 40,000	\$200,000
40,001	- 50,000	\$225,000
50,001	- 60,000	\$250,000
60,001	- 70,000	\$275,000
over	70,000	\$300,000

***MSHDA may make exceptions to allocations based on performance of a grantee, significance of project impacts on the community, needs of the community, overall demand for funds, and/or based on the availability of funds. MSHDA may also choose to award a county HOME funds for their allocation, especially where CDBG funds are needed for projects for which CDBG is an eligible and more appropriate funding source.**

A county grant limit may be applied by MSHDA in counties where the county elects not to operate a housing program and more than one community within the county requests funding. Limits may be applied by MSHDA in the following amounts:

\$400,000:	when individual community grant requests within the county exceed this amount, and the county population exceeds 60,000;
\$300,000:	when the individual community grant requests within the county exceed this amount, and total county population is greater than 20,000 and less than 60,000; and
\$200,000:	when the individual community grant requests within the county exceed

this amount, and total county population is less than 20,000.

In the instance where a county elects not to operate a housing program, if more than one community within the county requests funding, the maximum grant award for those communities in total may be restricted to the maximum limit for that county, regardless of the population of those communities.

Housing Resource Fund. Additionally, some CDBG housing funds are used to support proposals by non-entitled local governments under the Housing Resource Fund. Activities funded by the Housing Resource Fund include homeowner, homebuyer and rental assistance as eligible using HOME or CDBG funding.

2. Project Term

Funds for the County Allocation may be awarded as early as January 1, 2006. CDBG funds for the Housing Resource Fund are awarded following publicly announced application windows. Grant terms for 2006 funds will generally be two years.

3. Threshold Requirements

In order to be eligible for funding, communities must meet the following minimum requirements:

a. A Community Development and Housing Needs Assessment. An assessment which identifies community development and housing needs and specifies both short and long term community development strategies must be submitted with the application.

b. Previous Performance. Each applicant previously funded will be evaluated on its previous performance. A grantee that has failed to meet previous grant agreement requirements, including commitment of funds, may be deemed ineligible to apply for an additional award.

Current County grantees are not eligible to apply for 2006 housing funds until at least 75 percent of their current grant funds, exclusive of administrative funds, have been disbursed or some unusual circumstance is involved to warrant a request to apply for additional funds.

Further, communities that have received Michigan County Allocation funds from fiscal year 2001 or earlier cannot apply for 2006 funds until any grants covering those years have been audited and closed.

c. Low and Moderate Income Benefit. Applications for Michigan county allocation funds provide the following low and moderate income benefits in accordance with the HUD Section 8 Income Limits:

- Single family, owner-occupied housing rehabilitation must provide 100 percent low/moderate income benefit. Therefore, 100 percent of the funds must be awarded to household with gross annual incomes 80 percent or less of the area median income, based on household size.
- A rental rehabilitation activity must assure at minimum that 51 percent of units after rehabilitation are occupied by low/moderate income households.

- In calculating the low/moderate income benefit for a demolition, infrastructure or public improvement project, at least 51 percent of the households served by the project must be low/moderate income.
- Applications with less than the above stated low/moderate income requirements will not be considered for funding.

d. Maximum Investment.

Homeowner rehabilitation assistance will generally not exceed \$25,000 per unit, with the following exceptions:

- Substantial rehabilitation costs, including costs attributable to lead-based paint hazard remediation or abatement, not to exceed \$35,000;

Homebuyer assistance programs include the following minimum guidelines:

- MSHDA Single Family asset limitation applies.
- Not limited to first-time homebuyers.
- Purchase price limit is the lesser of the HUD 203(b) limit or the appraised value.
- Homeownership education is required.
- Down payment assistance is generally limited to \$10,000 per unit and restricted to 50 percent of the down payment plus reasonable closing costs.
- Communities are expected to obtain leverage funds from other housing programs such as federal weatherization funding, Rural Development, and MSHDA PIP. Communities are also encouraged to provide leveraging dollars and in-kind services locally.

Rental rehabilitation assistance is generally limited to a maximum of \$14,999 per unit. The investor must contribute, at minimum, 25 percent of total development costs.

4. Project Selection

While a variety of housing activities are eligible for funds, the following guidelines must be considered when proposing a homeowner rehabilitation activity. The financing mechanism must, at a minimum, be a deferred loan for 100% of the assistance.

Lien Requirements: MSHDA requires the placement and recording of a lien on properties receiving CDBG assistance. Exception will be given to emergency repair loans where the cost of the repairs is at or below \$2,500. Waivers will be considered for other unique circumstances on a case-by-case basis.

5. Public Services

The use of 15% of the county allocation for public services is restricted to supportive services directly associated with MSHDA or HUD funded supportive housing projects, including case

management, enhanced management, and direct supports for persons residing in transitional housing for homeless households and/or in permanent supportive housing for homeless and/or special needs populations.

6. Award Process

a. County Allocation. Applications for awards will not be scored, but will be reviewed to assure that all threshold requirements are met and that the proposed housing program is acceptable.

If several communities located within a county where there is no countywide program apply for funding, it may be necessary to evaluate those applications against each other, due to limited funds available.

The following factors must be addressed adequately in applications for a housing proposal to assure favorable consideration:

- Total number of units to be rehabilitated in relation to community population and identified housing need;
- Estimated average and maximum total cost and average and maximum CDBG assistance per unit and the amount of funds to be leveraged;
- Level of improvement to be achieved in assisted properties. All properties assisted with CDBG funds must be brought up to Section 8 Existing Minimum Housing Quality Standards or UPCS, or its replacement. (NOTE: An exception can be made for an Emergency Repair Activity not to exceed 15 percent of the total grant);
- Administrative and staff capacity to manage program;
- A marketing plan to include "Affirmative Marketing";
- Percent of requested funds to be used for administrative purposes (18 percent maximum);
- The extent to which the proposal will further fair housing activities.

b. Housing Resource Fund. Projects are awarded CDBG funds where CDBG is a more appropriate funding source than HOME. Examples would include demolition, beautification, rental rehabilitation for mixed-income projects. Applications are funded based on:

- Prospect for substantial community impact;
- Compliance with federal regulations and MSHDA policy;
- Cost-effectiveness;
- Applicant capacity and track record.

7. Monitoring

MSHDA will monitor the implementation of these plans to determine that good faith efforts have been made to carry out the procedures and requirements specified in the plans, to determine if the objectives have been met, and to take corrective action as necessary.

8. Lead-Based Paint Hazards

In the County Allocation Program, all properties rehabilitated must meet HUD's Section 8 Existing Minimum Housing Quality Standards (HQS) or UPCS, or its replacement. As lead-based paint requirements are incorporated into HUD's standards, on a statewide level we are continuously addressing lead-based paint issues on housing rehabilitation projects. Note: An exception can be made for CDBG funded county allocations, as communities may request up to 15 percent of their homeowner rehabilitation funds be utilized for Emergency Repair Activities.

B. COMMUNITY DEVELOPMENT BLOCK GRANT FOR ECONOMIC AND COMMUNITY DEVELOPMENT: ONE-YEAR ACTION PLAN

The Michigan CDBG Program for economic and community development includes funding of grants and loans for economic development, downtown and gateways, community development, planning, and discretionary projects.

National Objectives. In order to qualify for CDBG funding consideration, all economic and community development projects must meet a federally required national objective, which includes providing direct benefit to low and moderate-income people or elimination of slum and blight. Economic development projects, and downtown and gateways projects, must result in job creation or retention where at least 51 percent of the jobs are made available to, or held by, low and moderate-income people. Planning projects must Community development projects must result in benefit accruing to the area's population which must be at least 51 percent individuals residing in very low, low, or moderate-income households.

Very low, low, and moderate-income limits are defined each year by the U.S. Department of Housing and Urban Development (HUD), and identifies household income levels by family size. Typically the low and moderate-income level is 80 percent of the county median family income and is based on the income level of the household and not the individual filling the job. For job creation, the very low, low, and moderate-income requirement is applied at the time of hire. For job retention and community development, the eligibility requirement is applied at the time of application for CDBG funds.

Jobs are defined as full-time equivalent permanent positions, which do not include construction jobs, temporary jobs, or layoff recalls. Only those jobs which are created, or retained, during the grant project period will be considered in meeting the national objective and selection criteria. The State will make a final determination of the actual number of jobs created, or retained, and the actual number of jobs available to, or held by very low, low, or moderate-income people at the time the project is officially closed out by the State.

Funding Cycle and Limitations. Proposals are considered on a continuous basis and applications for economic development, downtown and gateways, and planning projects may be submitted at any time during the year. Applications for competitive allocations will be preceded with announcements to potential applicants which will identify specific screening criteria as well as the selection priorities. The competition will be publicly announced and advertised. Approved projects will include only those activities identified in the Annual Action Plan.

To receive consideration for funding, an eligible local government must prepare and submit a Notice of Intent (NOI). The NOI is a three-page form providing basic information on the proposed project, project activities, and a summary of the project budget including grant funds being requested and other funds supporting the proposed project. The NOI is reviewed by the Michigan Strategic Fund.

If it is determined that the proposed project adequately has met the screening and selection criteria, the Michigan Strategic Fund will authorize the local government to prepare a full application.

Usually, a community may receive only one grant per program year.

Screening and Selection Criteria. In considering project funding, a system based on screening and selection criteria is used to evaluate and approve applications for economic development funds. The screening criteria are considered to be thresholds that must be met or exceeded for a particular project to receive funding. If these thresholds are met by a proposed project, a positive funding decision may be made depending on the availability of funds, quality of jobs, and compliance with all other program requirements. The selection criteria are used to weigh the viable aspects of projects when a competitive award is to be determined.

Maximum Program Period. Projects usually must be completed within twenty-four (24) months from the date the grant is awarded. Funds not disbursed within the specified time limit may be recaptured by the State for reallocation to eligible CDBG projects.

The Michigan Strategic Fund may make exceptions to grant amount limits and project periods based on the significance of the project's impact on the community and the economy, the number of jobs created or retained, needs of the community, and/or the level of benefits to low and moderate-income people. Requests for exceptions must be made by the applicant community. Sufficient documentation and justification for an exception must be included in the application. Exceptions will be considered by the Michigan Strategic Fund as part of the funding decision.

1. Economic Development

A. Infrastructure. Communities may request grants to provide public infrastructure improvements necessary for the location, expansion, and/or retention of a specific for-profit business firm(s) which is engaged in an economic base activity (e.g. - manufacturing, point-of-destination tourism, headquarter operations, major multi-state distribution facility). Public infrastructure includes items such as: public water or sanitary sewer lines and related facilities, streets, roads, bridges, and public utilities. This category may include special initiatives.

Screening Criteria. Economic development infrastructure projects will be expected to meet each of the following criteria:

- Minimum Leverage Ratio - Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 2:1 or greater.
- Cost Per Job - Proposed projects are expected to create and/or retain the largest number of jobs with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per job created and/or retained is \$10,000 or less.
- Financial Viability - The business must be financially viable and able to document that it has sufficient management abilities and skills to operate the business.
- Job Creation/Retention - Funding priority will be given to projects creating and/or retaining ten or more permanent full-time jobs.
- Minimum Local Participation - Proposed projects are expected to have local government funding for public infrastructure activities. Funding priority will be

given to projects where local funding for public infrastructure is ten percent or more of the total public infrastructure costs.

2. Downtown and Gateways. The Downtown and Gateways project window will include special initiatives in traditional downtowns or major gateways into a community which include: Downtown Business Development/Infrastructure, Downtown Facade Improvement, Downtown Land Assembly, and Downtown Building Rehabilitation, and Downtown Business Plan initiatives. A traditional downtown is a grouping of 20+ commercial parcels of property that includes multi-story buildings of historical or architectural significance, the area must have been zoned, planned or used for commercial development for 50+ years, the area must consist of, primarily, zero-lot-line development, and have pedestrian friendly infrastructure, an appropriate mix of business and services, and must be represented by a specific, downtown business organization (i.e. a Downtown Development Authority or Business Improvement District). A gateway is a major traffic (vehicular or pedestrian) corridor into the traditional downtown area.

A. Downtown Business Development/Infrastructure. Grants are available for public infrastructure that directly supports private redevelopment projects in traditional downtowns and in significant community gateways. Funds can be used as local match for the Michigan Department of Transportation's (MDOT) Transportation Enhancement Grant program or to support the Michigan State Housing Development Authority (MSHDA) housing projects, all in downtown or gateway areas. The maximum individual grant award will be \$650,000. Priority will be given to projects leveraging the greatest amount of job creation and private investment and which will advance the Governor's cool Cities Initiative. Applications will be accepted on a continuous basis following approval of the Notice of Intent.

Screening Criteria.

- i. Minimum Leverage Ratio - Proposed projects are expected to leverage private and other public funds. Funding priority will be given to projects when the leverage ratio of all other private and public funds to CDBG funds is 2:1 or greater.
- Cost Per Job - Proposed projects are expected to create and/or retain the largest number of jobs with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funds per job created and or retained is \$20,000 or less.
- Financial Viability - The business must be financially viable and able to document that it has sufficient management abilities and skills to successfully operate the business.
- Job Creation/Retention - Funding priority will be given to projects creating and/or retaining ten or more permanent full-time jobs.
- Minimum Local Participation - Proposed projects are expected to have local government funding for public infrastructure activities. Funding priority will be given to projects where local funding for public infrastructure is ten percent or more of the total public infrastructure costs.

- B. Downtown Façade.** Grants are available for communities that seek to target areas of traditional downtowns for facade improvements.

Screening Criteria.

Downtown Façade projects will be measured as to their ability to meet each of the following:

- National Policy Objective – Proposed projects are expected to meet the National Objective of either benefiting a population of individuals of whom at least 51% reside in low to moderate income households (in communities at or below 15,000 in population) or by projects that will create jobs to be offered to at least 51% low to moderate income level persons.
- Project Type – Projects will be located in a traditional downtown, must be located in a DDA or other like-district and all projects must meet the Secretary of Interior's Standards for Rehabilitation.
- Matching Funds – Funding priorities will be given to communities with the higher percentage of local matching funds (committed funds only), but all communities must contribute a minimum 50% local match.
- Project Selection – The immediacy of project commencement will earn the applicant greater consideration for the funding of the project. Calendar year completion earns the highest points possible for project consideration.

Selection Criteria. The following criteria will be used in measuring the competitive strength of each applicant's proposed project under the Downtown Façade category.

- December 1, 2005 applications sent to communities, March 1, 2006 applications are due, March 2006 CATeam visits sites to review applications, April 1, 2006 staff meets to score and select projects, April 5, 2006 selections are announced, April 30, 2006 grant agreements are completed, September 30, 2006 projects are completed and closed.
- Proposed projects are expected to meet the National Objective of either benefiting a population of individuals of whom at least 51% reside in low to moderate income households (in communities at or below 15,000 in population) or by projects that will create jobs to be offered to at least 51% low to moderate income level persons.
- Priority will be given to communities that: Have an existing façade program, to projects that will create jobs for 50% low to moderate income persons, to projects that will expend funds by September 30, 2006, can demonstrate prior use of downtown development incentives, have local organizational capacity to successfully complete this project and have a full time downtown development professional, have adopted a downtown development plan, and demonstrate that the project is located in a strategically valuable location of the traditional downtown.

Maximum Grant Amount. The maximum individual grant award will not exceed \$200,000 and must be for a minimum amount of \$25,000. Total program investment will be \$800,000. The selection process will be annual and competitive.

- C. Downtown Building Rehabilitation.** Grants are available for communities seeking acquisition of vacant, partially vacant or substantially underutilized buildings located in traditional downtowns and can involve mixed use.

Screening Criteria.

Downtown Building Rehabilitation projects will be measured as to their ability to meet each of the following:

- National Policy Objective – Proposed projects are expected to meet the National Objective of providing jobs created for 51% of persons in a low to moderate income level.
- Project Type – Projects will be located in a traditional downtown, must be located in a DDA or other like-district and the project must be accompanied by two appraisals along with the current SEV.
- Matching Funds – Funding priorities will be given to communities with the higher percentage of local matching funds (committed funds only), but all communities must contribute a minimum 25% local match.
- Project Selection – The immediacy of project commencement will earn the applicant greater consideration for the funding of the project.

Selection Criteria. The following criteria will be used in measuring the competitive strength of each applicant's proposed project under the Downtown Building Rehabilitation category.

- May 22, 2006 applications/criteria sent to communities, September 2006 CATEam staff visits all applications, October 10, 2006 staff scores and selects projects, October 15, 2006 selections are announced, December 1, 2006 grant agreements are signed.
- Projects that require less CDBG per new FTE job (51% low to mod) will be prioritized higher than other cost/job.
- Priority will be given to communities that: Show that the project is a signature, troubled building in the downtown, location is in a historic district or is historically registered, has been vacant, partially vacant or underutilized for three years or more, has sufficient parking for a rehabilitated building, possess a six month option on the building, a structural analysis has been completed for the building, a downtown market study has been completed in the last five years, local organizational capacity exists to successfully complete this project including the adoption of a downtown plan, have a full time downtown development professional, demonstrate prior commitment to using downtown economic incentives and demonstrate that the project is located in a strategically valuable location of the traditional downtown.

Maximum Grant Amount. The maximum individual grant award will not exceed \$400,000. As an alternative, up to 20% of the Downtown Building Rehabilitation allocation can include very low, low and moderate housing benefit. Total program cost will be \$1,600,000. Selection process will be annual and competitive.

- D. Downtown Land Assembly.** Grants are available for communities seeking acquisition and demolition of blighted property located in traditional downtowns or gateways into traditional downtowns.

Screening Criteria.

Downtown Land Assembly projects will be measured as to their ability to meet each of the following:

- National Policy Objective – Proposed projects are expected to meet the National Objective of eliminating slum and blight.
- Project Type – Projects will be located in a traditional downtown or a gateway into a downtown, must be located in a DDA or other like-district, the project must be accompanied by two appraisals along with the current SEV and the project must meet blight standards of the Blighted Area Rehabilitation Act of 1945.
- Matching Funds – Funding priorities will be given to communities with the higher percentage of local matching funds (committed funds only), but all communities must contribute a minimum 25% local match.
- Project Selection – The immediacy of project commencement will earn the applicant greater consideration for the funding of the project. Calendar year completion earns the highest points possible for project consideration.

Selection Criteria. The following criteria will be used in measuring the competitive strength of each applicant's proposed project under the Downtown Land Assembly category.

- May 22, 2006 applications/criteria sent to communities, September 2006 CATeam staff visits all applications, October 10, 2006 staff scores and selects projects, October 15, 2006 selections are announced, December 1, 2006 grant agreements are signed.
- Projects must be declared blighted and qualify under the Blighted Area Rehabilitation Act of 1945.
- Priority will be given to communities that: Possess a six month option on the property, have local organizational capacity to successfully complete this project and have a full time downtown development professional, have an adopted downtown development plan in place, and demonstrate that the project is located in a strategically valuable location of the traditional downtown or gateway.

Maximum Grant Amount. The maximum individual grant award will not exceed \$200,000. Total program cost will be \$300,000. Selection process will be annual and competitive.

- E. Business Plan Competition.** As part of its Downtowns and Gateways program, MEDC is proposing establishing a pilot Business Plan Competition to stimulate entrepreneurial and small business activities in eligible downtowns. The pilot project will enhance the Governor's Cool Cities program that is helping to revitalize Michigan communities and is designed to create new jobs in these areas.

An amount of up to \$600,000 is proposed to be allocated to four communities that would each select up to three projects that best met the needs of that specific downtown and create jobs in either new or expanding businesses. The projects selected in the business plan competition will be eligible to receive grants of up to \$50,000 based on job creation. The competition would be managed by a business or economic development organization designated by the community.

Communities selected by an MEDC team will manage the business plan competition leading to the community's selection of up to three projects to either start or expand a business in a traditional downtown area.

Screening Criteria. Business Plan Competition projects will be expected to meet each of the following criteria:

- Strategic Plan - The applying community must have a strategic plan for development in place and demonstrate how the proposal meets the objectives of the plan.
- Demonstrated Capacity - The applying community must demonstrate the capacity of the community organization selected to conduct the competition to evaluate, process and monitor the projects.
- Implementation - The applying community must demonstrate how the competition will be implemented.
- Minimum Local Participation - Projects funded through the competition must demonstrate that private funds will support at least 50% of each project's cost.
- Project Locations - Projects must be undertaken in an eligible 'traditional' downtown, described as a grouping of 20+ commercial parcels of property that includes multi-story buildings of historical or architectural significance. The area must have been zoned, planned or used for commercial development for 50+ years. The area must consist of primarily, zero-lot-line development. The area must have a pedestrian friendly infrastructure. The area must have an appropriate mix of business and services and the area must be represented by a specific downtown business organization like a Downtown Development Authority or Business Improvement District.

Selection Criteria. The following criteria will be used in measuring the competitive strength of each applicant's proposed project under the Business Plan Competition category.

- Community Strategic Plan in Place.
- Capacity.
- Implementation.
- Leverage Ratio
- Jobs Created.

Maximum Grant Amount. The maximum individual grant award for the Business Plan Competition will not exceed \$150,000. Total program cost will be \$600,000. Selection process will be annual and competitive.

3. Infrastructure Development. Communities may apply for grants based on the projects ability to meet a national objective of benefit to low and moderate income households in the applicant community.

A. Infrastructure Capacity Enhancement. Grants are available for community development infrastructure projects that upgrade existing public infrastructure systems either by replacing deteriorating or obsolete systems or by adding capacity to existing systems. In addition, funds under this program can be utilized for public facilities which will have a significant economic development impact throughout the community.

Screening Criteria.

Community Development Infrastructure projects will be measured as to their ability to meet each of the following:

- National Policy Objective – Proposed projects are expected to meet the National Objective of providing benefit to a population of individuals of whom at least 51 percent reside in low to moderate-income households. Preference will be given to projects that benefit the entirety of the applicant community.
- Project Type – While community and recreational facilities are eligible as are new infrastructure projects, public infrastructure projects that address necessary improvements to existing public infrastructure services in need of repair and/or upgrade will be given priority.
- Matching Funds – Funding priority will be given to communities with the higher percentage of local matching funds (committed funds only) and all other matching funds from other sources (committed funds only) for the applicant's proposed project.
- Project Schedule – The immediacy of project commencement will earn the applicant greater consideration for the funding of the project. Current calendar year commencement and completion earns the highest possible project consideration.

Selection Criteria. The following criteria may be used in measuring the competitive strength of each applicants proposed project under the Community Development Infrastructure category.

- Project Schedule
- National Policy Objective
- Project Type
- Local Match (committed funds only)
- Combined Matching Funds (all matching funds including local-committed funds only)
- Cost Per Resident/Beneficiary

Maximum Grant Amount. The maximum individual grant award will not exceed \$1,000,000. Priority will be given to projects with engineering completed and ready to begin construction. Applications will be accepted on a continuous basis and awarded as funding availability allows.

B. Neighborhood Capacity Enhancement. Grants are available for community development infrastructure projects that upgrade existing public infrastructure systems either by replacing deteriorating or obsolete systems or by adding capacity to existing systems, using a Cool City Blueprints for Michigan's Downtown action strategy as a neighborhood revitalization plan, containing prioritized CDBG eligible infrastructure projects.

Screening Criteria.

Community Development Infrastructure projects will be measured as to their ability to meet each of the following:

- National Policy Objective – Proposed projects are expected to meet the National Objective of providing benefit to a population of individuals of whom at least 51 percent reside in low to moderate-income households. Preference will be given to projects that benefit the entirety of the applicant community.
- Project Type – Public infrastructure projects, identified in the Cool City Blueprint for Michigan's Neighborhoods action strategy, in need of upgrade within the revitalized neighborhood, will be prioritized.
- Matching Funds – Local communities will pay for the consultant to conduct the Cool Cities Blueprints for Michigan's Downtowns action strategy. This will be regarded as the local match.
- Project Schedule – Projects that immediately commence, based on priority identified in the Cool City Blueprints for Michigan's Neighborhoods action strategy, will earn the highest possible points for consideration.

Selection Criteria. The following criteria may be used in measuring the competitive strength of each applicant's proposed project under the Planning Blueprints for Michigan's Neighborhoods category.

- Projects must be located in a neighborhood adjacent to a traditional downtown.
- The applicant's neighborhood must be low to moderate income and must be a core community.
- The applicant must be a Cool City.
- The applicant must have completed a Blueprint for Michigan's Neighborhoods action strategy process and report. The community must have adopted the report and provided plans for implementing the neighborhood revitalization strategy. The report must also prioritize needed public infrastructure, in the neighborhoods, that qualify as CDBG eligible.

Maximum Grant Amount. The maximum individual grant award will not exceed \$200,000. The Blueprint consultant/cost will act as the local match. Total program cost will be \$600,000. Selection process will be annual and competitive.

4. Economic Development Planning. Economic development planning grants are available to help communities accomplish project specific, public planning, and design work which is likely to lead to an eligible economic development implementation project. Selection factors will include: an evaluation of near term (two to four years) job creation, where at least 51 percent of the jobs are held by, or made available to, low and moderate-income people, the number and quality of jobs, and the overall impact on the community.

Screening Criteria. For economic development planning grants, proposals will be evaluated on the extent to which it appears that the planning grant will lead to an eligible implementation project. Evaluations will be guided on judgments by the Michigan Strategic Fund regarding the near term likelihood for low and moderate-income job creation or impact on a low and moderate-income community.

Maximum Grant Amount. The maximum grant amount shall not exceed \$50,000 and must be matched with a local cash contribution equal to at least ten (10) percent of the CDBG funds provided. Priority will be given to planning projects where the community is matching the CDBG funds at a 1:1 ratio. The cash match may be waived by the state based on demonstrated financial hardship.

5. Discretionary Economic Development Grants and Loans. Discretionary grants and award requests will be considered based on special and/or unique needs or situations requiring innovative program approaches not specifically provided for in regular economic development infrastructure, planning grants, downtown and gateways grants and infrastructure development grants. This may include Brownfield site redevelopment, targeted industry development, downtown development, general public infrastructure, building and building rehabilitation activities, CDBG Section 108 loan guarantees, activities and services listed in the above categories and projects associated with the State funded Core Communities Initiatives. Selection criteria, project periods, and grant amounts will be determined and tailored for each specific project proposal. All funding considerations will be made in compliance with federal CDBG regulations and requirements.

- A. On the Job and Workforce Skill Training.** Communities may request grants to provide assistance to employers for on the job and workforce skill training. Grant funds will be available for training costs to assist in creation of new jobs and hiring new employees. Projects for on the job and workforce skill training for new and retained jobs will be required to qualify as per the following criteria. The uses and amount of funds available for each project will need to be arranged with the following parameters in mind. Training support of up to \$1,000 per job for jobs paying \$7.00 to \$9.99; \$1,500 per job for jobs paying \$10.00 to \$14.99; and \$2,000 per job for jobs paying \$15.00 and higher. Each project will need a specific capped amount, but will be given flexibility to meet the project's needs by allowing up to 50% of the grant amount to be used for On the Job Training expenses (this is traditionally wage reimbursement for trainees), allowing up to 50% for vendor training (this includes expenses for training provided by outside entities including machine vendors, community colleges or corporation trainers if the company is dedicating staff to training of the employees/trainees), and allowing for up to 20% for materials and supplies. The final percentage is not to exceed 100% of the CDBG project award amount set in the grant agreement. All funding considerations will be made in compliance with federal CDBG regulations and requirements.

Screening Criteria. Economic development on the job and workforce skill training grants will be expected to meet the following criteria.

- Financial Viability - The business must be financially viable and able to document that it has sufficient management abilities and skills to operate the business.
- Cost Per Job Proposed - projects are expected to create the largest number of jobs with the least amount of CDBG investment. Funding priority will be given to projects where the amount of CDBG funding per trainee is \$2,000 or less and based on wages to be paid.
- Job Creation - Funding priority will be given to projects creating at least 25 new jobs.
- High Paying Jobs - Funding priority will be given to projects where the maximum job training grant based on job hourly wage rate will be as follows: \$9.99 per hour or less (up to \$1,000 per trainee) \$10-\$14.99 per hour (up to \$1,500 per trainee) \$15 hr or more (up to \$2,000 per trainee).
- Minimum Leverage Ratio - Proposed projects are expected to leverage private funds. Funding priority will be given to projects where the leverage ratio of private funds to CDBG funds is 2:1 or greater.

6. Michigan State Housing Development Authority. The Michigan Strategic Fund will support activities and projects related to eligible housing and community development projects through grants to eligible general purpose local governments. These grants will be based on demonstrated housing needs and provide benefit to low and moderate-income people.

7. Broadband Telecommunications Development. The Michigan Strategic Fund will support activities and projects related to eligible broadband and telecommunications infrastructure projects through grants to eligible general purpose local governments. These grants will be based on area wide benefit to low and moderate-income people.

C. EMERGENCY SHELTER GRANTS: ONE-YEAR ACTION PLAN

1. Introduction

The State of Michigan's Emergency Shelter Grant (ESG) Program will be administered by the Michigan State Housing Development Authority (MSHDA), through its Office of Community Development. It is anticipated that HUD will award a "balance of state" allocation of approximately \$2,900,000 in Emergency Shelter Grant (ESG) funds to the State of Michigan for FY 2006 (based on prior year federal authorization level). MSHDA will provide an additional \$5,000,000 in matching funding for statewide ESG programs. A portion of these MSHDA-generated matching funds may be used for activities associated with response to homelessness that fall outside HUD-defined eligibility restrictions for ESG programming (e.g., Continuum of Care coordination).

MSHDA has adopted the basic principles of HUD's Continuum of Care strategy for use in its ESG funding distribution. The primary program design for FY 2006 allocates a targeted sum of grant funds to local communities that have developed and submitted an approved Continuum of Care plan. There are 60 active Continuum of Care planning bodies in Michigan, representing all 83 of our Counties. These Continuum of Care planning groups are comprised by homeless service providers and related stakeholders in each community. They meet regularly to assess the community's homeless and housing needs, inventory existing resources available to serve them, identify gaps in housing and service delivery, prioritize local needs, and develop comprehensive strategic plans for homeless response. MSHDA assigns a "target funding allocation" to each Continuum area for planning purposes, and each Continuum then submits an "ESG Funding Strategy" which recommends specific funding amounts for eligible projects and activities in its area --- within the limits of the assigned allocation amount.

These Continuum of Care plans – and associated ESG Funding Strategies – are evaluated against threshold criteria to ensure their feasibility, consistency with program rules and principles of practice, and effectiveness. Each grantee agency must, in turn, submit its own Project Application for MSHDA review. MSHDA staff review all projects recommended by the Continuum body for eligibility of activities and cost. They also screen project grantees for eligibility and capacity.

MSHDA works closely with local communities to support the continuing evolution of Continuum of Care planning. Each year, MSHDA conducts a series of regional and specialized trainings throughout the state addressing ESG programming and Continuum of Care coordination. MSHDA also provides technical assistance as necessary to help local planning bodies to develop their Continuum processes and strategies. A state-level homeless programs advisory council – the Michigan Homeless Assistance Advisory Board (MHAAB) acts as a clearinghouse for related ideas and feedback .

A notice of funding availability for the Emergency Shelter Grants (ESG) program will be published and distributed statewide in the Fall of 2005. Application information will be posted on MSHDA's public web-site and disseminated widely. Regional workshops in the fall of 2005 will further explain the ESG funding process to current and potential grantees.

2. Eligible Projects and Sponsors

Emergency Shelter Grant funds (both federal and MSHDA matching funds) may be used for projects associated with providing shelter, transitional housing, prevention, and/or essential

services to homeless individuals and families with children. Eligible Emergency Shelter Grant projects using federal funds include but are not limited to:

- The start-up of new emergency or transitional housing programs by experienced service providers
- Expansion of shelter, transitional housing, homeless prevention, or essential services programs
- Ongoing funding for shelter operations, transitional housing, homeless prevention, or essential services programs
- Funding for Homeless Management Information System (HMIS) implementation projects

Project sponsors must be established private non-profit 501(c)(3) agencies or public non-profit entities, must have had at least one year of successful experience in administering homeless programs, and must be actively involved in a local Continuum of Care planning body. No projects will be considered from areas that do not have an approved Continuum of Care plan in place. All grantees will be required to report on client activity through use of the Michigan Statewide Homeless Management Information System.

3. Proposed Use of Funds

The use of funds for recipients of federal ESG dollars will be limited to Operating, Essential Services, and Homeless Prevention as described below. Grantees will be allowed a limited amount of funding for staffing as a part of operating/administrative costs, if necessary, not to exceed 10 percent of the project's total award. MSHDA's FY 2006 ESG program will include the following categories of allowable use:

- a. Operating:** Grant funds will provide for maintenance and operating expenses of a shelter, transitional housing, or associated service facility, including but not limited to: insurance, food, utilities, maintenance, and repair expenses; necessary furnishings; salaries for security staff; and staff costs of operations (up to 10 percent of the total grant).
- b. Essential Services:** Grant funds may be used for essential/supportive services costs including but not limited to: case management, child care, employment and training, health care screening and referral, substance abuse prevention and treatment, counseling, and educational guidance. These funds will be used for salaries and benefits for counselors, case managers, other essential services staff; client transportation expenses; and other direct costs of essential services provision. MSHDA herein requests continued approval of a waiver established in 2003-2004 allowing allocation of more than 30 percent of its federal ESG funds to essential services. This request is based on two primary elements of rationale: 1) when taken as a percentage of combined federal and MSHDA matching funding for ESG, our essential services commitments are actually less than the 30% ceiling (generally around 20%) and 2) all ESG sub-grantees receiving essential services funding are required to submit organizational budgets that demonstrate the availability of full operational funding for their programming as a condition of

eligibility for funding. MSHDA requests continued approval of this waiver for the five year period covered by the 2005 Michigan Consolidated Plan.

- c. Homeless Prevention:** Homeless prevention funds will be used to provide direct financial assistance to pay utility shut-off balances and arrearage, prevent rental evictions or mortgage foreclosures, and assist with first month's rent and security deposits. MSHDA will allocate no more than 30 percent of its combined federal and matching ESG funds to homeless prevention services unless a waiver is obtained. To qualify for financial assistance under this homeless prevention category, households must meet the following criteria:

- 1) The inability of the household to make the required payments must be due to a sudden reduction in income; and
- 2) The assistance must be necessary to avoid eviction or termination of services; and
- 3) There must be a reasonable prospect that the household will be able to resume payments within a reasonable period of time; and
- 4) The assistance must not supplant funding for pre-existing homeless prevention activities from any other source.

MSHDA will elect not to absorb the federal administrative funds for which it is eligible, in order to be able to increase funding available for community programs and services. Moreover, MSHDA will dedicate a portion of its internally dedicated ESG project funds for uses that include: a) costs of coordinating local Continuum of Care activities – including fiduciary & administrative functions, b) costs of local implementation of the Michigan Statewide Homeless Management Information System (MSHMIS), c) piloting innovative rural homeless and prevention projects on a competitive basis, and d) other homeless activities and initiatives as may be identified by MSHDA's Division of Supportive Housing and Homeless Initiatives. Financial assistance for costs for critical needs for facilities repair, and for homeless facilities development or rehabilitation, will be available (based on demonstrated agency need and capacity) through MSHDA's Housing Resource Fund. As such, no federal ESG funding will be directed to these costs.

4. Evaluation of ESG Projects

Local communities will submit their Continuum of Care plans and specific funding recommendations for individual projects (within limits of targeted allocations) to MSHDA in accord with a widely distributed Notice of Funding Availability (NOFA). Representatives from MSHDA's Division of Supportive Housing and Homeless Initiatives will review, critique, and approve submitted community plans and funding recommendations, as well as determine project eligibility.

5. Certification of Local Approval

A Certification of Local Approval signed by the highest elected official for the local unit of government where each project is administered is required from each program applicant. Documentation of these certifications is maintained in grantee files at MSHDA.

6. Grantee Reporting

A Homeless Programs Progress Report, currently due twice each year, asks grantees to report on service activities, client demographics, performance outcomes, and service needs in their area. Volunteer hours donated by individuals in the community and in-kind contributions leveraged by the grantees are also reported. MSHDA will compile this data into a statewide report to be used to assist in needs assessment, determination of funding priorities, coordination of services with other state agencies, and enhancement of services for homeless populations.

In the summer of 2004, MSHDA initiated statewide implementation of the Michigan Statewide Homeless Management Information System (MSHMIS). This web-based reporting mechanism will track and unduplicate client-level data at the agency, community, and state levels. While MSHMIS initially has focused on emergency shelter, transitional housing, and permanent supportive housing consumers, this system will ultimately endeavor to capture descriptive data on homeless persons and families served by all of our provider systems. All 60 of Michigan's Continuum of Care areas have agreed to participate in the statewide system. We anticipate that all Continuum of Care areas will be trained and using this technology by the end of 2006.

7. Lead-Based Paint Hazards

The Michigan State Housing Development Authority (MSHDA), as the agent for the State of Michigan, will assure full compliance with all lead-based paint rules and regulations as they are applicable to the Emergency Shelter Grant Program. All ESG program grantees are provided regular training and support in lead-based paint compliance.

8. Matching Funds

The Michigan State Housing Development Authority Board has committed \$5 million in MSHDA funds as match for the FY 2006 ESG Program.

D. HOME INVESTMENT PARTNERSHIP: ONE-YEAR ACTION PLAN

1. Introduction

At the time of publication of this plan, the State of Michigan's FY06 allocation of HOME funds was not yet determined, but the range of activities planned for the FY06 allocation of HOME funds is similar to those undertaken with FY04 funds. The State of Michigan received an allocation of \$25,279,091 in FY05 for the HOME Investment Partnership Program and projects a similar level of funding for FY06. The Michigan State Housing Development Authority (MSHDA) will continue to be the administrative agency for the state's allocation of HOME funds.



HOME funds in Michigan are used for projects to expand the supply and availability of safe, decent, accessible, and affordable housing for moderate, low and extremely low income households through a statewide network of public/private partnerships. Activities eligible for funding include, but are not limited to:

- Rehabilitation for homeowner, homebuyer or rental;
- Acquisition including downpayment assistance;
- New construction of rental or homebuyer;
- Tenant based rental assistance;
- Demolition in conjunction with rehabilitation or new construction;
- Homeless assistance (restricted to housing development activities for transitional or permanent housing);
- Reconstruction housing; and
- An applicant may request funding for general administration.

Michigan will continue to allocate its HOME funds in a manner consistent with this Consolidated Plan. The state's allocation for HOME funds is based primarily on the demographics of non-HOME entitled areas of the state.

Eligible applicants include:

- All non-HOME entitled local units of government with a population of 3,000 or more.
- Local HOME Participating Jurisdictions (PJs), if all of the following apply:
 - (a) The project is explicitly aligned with Michigan's Cool Cities Designated Neighborhoods priorities;
 - (b) The project is in a high-density, mixed-use, pedestrian-friendly neighborhood;
 - (c) The project promotes diversity within the target area;
 - (d) There is a dollar-for-dollar leverage from the local PJ; and
 - (e) The project is congruent with the local PJ's HOME allocation patterns.
- Local units of government under 3,000 population may apply if one of the following is met:
 - (a) The unit of government is a local county seat;
 - (b) The unit of government is designated by the Michigan Economic Development Corporation (MEDC) as a Core Community, Main Street, or Michigan Blueprint community; or
 - (c) The unit of government is requesting funds for a project located within the boundaries of a Cool Cities Designated Neighborhood.

- Non-profit organizations with a 501 (c) designation, including Community Housing Development Organizations (CHDOs).

Priority for the use of HOME funds will be in non-entitled HOME areas, but exceptions may be made for the following types of situations:

- To assist nonprofit organizations;
- To provide additional funding for other MSHDA programs;
- To share costs with projects receiving local Participating Jurisdiction funds.

In all of the above cases, whenever MSHDA HOME funds are committed within a local participating jurisdiction, MSHDA will coordinate its activities with those of the local participating jurisdiction and will generally require local matching funds.

2. Proposed Use of HOME Funds

With the funding available for Michigan's FY06 HOME allocation, MSHDA is reserving no more than five (5%) percent for CHDO operating expenses and no more than ten (10%) percent for administrative expenses. Of the funding available for projects, MSHDA will invest at least fifteen (15%) percent in projects owned, developed or sponsored by CHDOs. MSHDA plans to invest its project funds in eligible activities, in accordance with this Consolidated Plan. In implementing these programs and other affordable housing activities, MSHDA will provide at least twenty-five (25%) percent in non-federal match.

3. Rental Housing Programs

a. Supportive Housing Program. MSHDA has recently created a new Division of Supportive Housing and Homeless Initiatives that is designed to prevent or alleviate homelessness. This new division will facilitate implementation of successful models serving people who are difficult to house, including those with special needs. HOME funds will be available to help implement this program in selected communities.

The state's HOME funds may be used for eligible project activities in conjunction with funds provided locally through each community's Continuum of Care or supportive housing planning process. Local funds will come from public and private sources. Use of Low-Income Housing Tax Credits and local property tax relief are also encouraged. The amount of state HOME funds invested will be determined as part of an underwriting and review process for each development.

MSHDA will also be investing up to \$8 million from its own reserves for a series of Supportive Housing initiatives that initially will emphasize response to survivors of domestic violence and chronically homeless populations. We anticipate issuing a request for proposals for these projects by the end of 2005. HOME funds may be targeted to these projects as well.

b. Preservation. MSHDA will make HOME funds available for the preservation of MSHDA financed multi-family housing developments and may make HOME funds available for preservation of non-MSHDA financed multi-family housing developments. Recipients must extend the low-income character of the development. Transactions may involve a transfer of ownership. The maximum HOME assistance will vary depending on the age, type and size of the development and an underwriting evaluation. HOME assistance will be limited to the

amount of assistance needed to fill the funding gap, as determined by MSHDA. Rent and occupancy restrictions will apply for, at a minimum, the HOME affordability period.

c. Leveraging Federal Funding and Deep Subsidy Assistance. MSHDA may make funds available to leverage the construction of new developments and the award of project-based Rental Assistance under the U.S. Department of Agriculture-Rural Development Section 515 Program and/or the U.S. Department of Housing and Urban Development Section 202/811 Programs.

d. Tenant Based Rental Assistance Initiatives. MSHDA has recently committed HOME funds to establish a program providing Tenant Based Rental Assistance (TBRA) targeted to homeless populations in 11 communities throughout the state. This initiative offers a transitional bridge to permanent housing for homeless households. Funds were distributed in collaboration with targeted supportive service providers and local Continuum of Care bodies.

Based on the 2005 Statewide Continuum of Care: Gaps Analysis (see Section III, update of Table 1A), the state has an unmet need of 3,187 transitional housing units for homeless families and individuals. As stated under Goal 4 of our Five-Year Strategy, both the state's Strategy Development and Investment Plan emphasizes the need for transitional, supportive housing that is responsive to local needs. As such, we anticipate continued funding of TBRA as a component of our larger commitment to and strategies for ending homelessness.

e. HOME Equity Enhancement. HOME funds for the development of rental housing other than the above-described initiatives will be made available to assist projects in the following categories:

1. Multifamily Rental Housing (12-49 units and up to 100 units for rehabilitation projects)

(a) Project Eligibility - Multifamily development proposals must meet all of the following criteria:

- MSHDA tax-exempt debt financing; the debt financing must be greater than 50% of the total development cost. MSHDA may use HOME funds to reduce the tax-exempt interest rate, or MSHDA taxable debt financing;
- Low Income Housing Tax Credit award, with the equity investment, net of allowable developer fees and project costs not recognized in the debt financing, used to reduce the need for HOME funds;
- Agreement by the community to accept a service fee in lieu of real property taxes for a period not less than the term of the first mortgage loan;
- Agreement by the sponsor to enter into a regulatory agreement whereby, at MSHDA's sole discretion, ten percent (10%) of the units will be rent restricted and occupied by households with incomes at or below 30% of the area median income, adjusted for family size, as defined by HUD. MSHDA may elect to waive this criterion if its imposition results in the debt financing totaling less than or equal to 50% of the total development costs;

(b) HOME Assistance Levels - The minimum amount of HOME assistance will be \$1,000 per unit. The maximum amount of HOME assistance will be the lesser of the equity gap as determined by MSHDA, the total development cost of the HOME designated units, or the per unit HOME subsidy limit multiplied by the number of HOME designated units.

(c) Income Targeting - MSHDA may elect, at its sole discretion, to apply the HOME funds to a specific number of units within the development and require that these units be deeply targeted and made affordable to families with incomes at or below 30% of the area median income, adjusted for family size.

(d) Loan Terms - HOME assistance will be provided as a mortgage, to be repaid from:

- Twenty-five percent of any cash distribution to the project owner, as determined by an independent annual audit of project income and expenses, this repayment may be waived to the extent deferred developers fees exist;
- The proceeds of any refinancing or sale designed to alter the low income character of the residents of the development. In this event, the full subordinate HOME loan will be accelerated and become immediately due and payable; and
- Project operating revenue following repayment of the first mortgage. In this event, the outstanding balance of the HOME loan will become the new first mortgage and begin to bear interest at the same rate as the original mortgage with monthly mortgage payments equal to the payments under the original first mortgage.

2. Small Scale Rental Housing (1-24 units)

(a) Project Eligibility - HOME funding may be invested in subsidized secondary loans for small scale development projects (1 to 24 units) on a case-by-case basis and where the project will address a clear public purpose and specific community need such as:

1. The project is an essential component of a comprehensive community revitalization strategy aligned with MSHDA investment priorities; or
2. The project is part of a strategy to create low-income housing opportunities in a higher cost setting or area characterized by economic growth (e.g., economic integration or deconcentration); or
3. The project is targeted at special needs/homeless/supportive housing populations that require a smaller scale.

Proposed projects must meet all the following criteria:

- Low Income Housing Tax Credit award, with the equity investment, net of allowable developer fees and project costs not recognized in the debt financing, used to reduce the need for HOME funds;
- Sponsorship by a community-based nonprofit group, defined as:

- A Community Housing Development Organization (CHDO),
- A Community-Based Development Organization (CBDO), as defined by HUD,
- A local 501(c) organization, organized in Michigan, currently involved in housing in the market area in which the housing is being proposed,

OR

Sponsorship by a for-profit group.

- If special needs housing is being proposed, it must include provision for appropriate support services and project sponsors must be participating in a local continuum of care strategy planning body or a local consortium planning body for supportive housing.

It is the intent of MSHDA to reduce the need for HOME funding by leveraging other sources of financial assistance, but this may not always be practical. At the discretion of MSHDA's Executive Director, these proposals may not always require the use of Low Income Housing Tax Credit.

(b) HOME Assistance Levels - The minimum amount of HOME assistance is \$1,000 per unit. The maximum amount of HOME funding will be:

- Within a Participating Jurisdiction, the lesser of the equity gap as determined by MSHDA or \$30,000 times the total number of HOME designated units in the project. For special needs housing the maximum HOME assistance will be the lesser of the equity gap as determined by MSHDA or \$40,000 per HOME designated unit.
- Outside a Participating Jurisdiction, the lesser of the equity gap as determined by MSHDA, the total development cost of the HOME designated units, or the per unit HOME subsidy limit multiplied by the number of HOME designated units.

(c) Income Targeting - MSHDA may elect, at its sole discretion, to apply the HOME funds to a specific number of units within the development and require that these units be deeply targeted and made affordable to families with incomes at or below 30% of the area median income, adjusted for family size.

(d) Loan or Grant Terms - The affordability and repayment terms will be determined by MSHDA's Executive Director. At a minimum, in the event of a refinancing, sale, or conversion of use that would alter the low income character of the residents of the development prior to the expiration of the affordability period, the full amount of HOME loan will be recaptured.

3. Requirements for Participating Jurisdiction Contributions

(a) For all multifamily rental developments located in participating jurisdictions, a local contribution must be made. The minimum contribution, excluding any credit for the value of property tax relief, must be the lesser of 50% of the total HOME funds necessary as determined by MSHDA or 5% of the participating jurisdiction's most recent annual HOME allocation.

- (b) The participating jurisdiction must agree that match credit derived from the present value of property tax relief must, at a minimum, be split between the community and MSHDA based on a pro-rata share of the actual HOME assistance provided.
- (c) At the discretion of MSHDA's Executive Director, proposals may not always require contribution from the participating jurisdiction's HOME allocation.

f. Rental Rehabilitation. MSHDA will make funds available for rental rehabilitation as follows:

1. Funding awards to local units of governments (state recipients) will be made to administer a HOME rental rehabilitation program. CDBG funds may be used if deemed more appropriate for the specific program proposed. The program will generally provide a forgivable loan of up to a maximum of \$14,999 per unit however, additional funds needed to address lead-based paint hazard reductions may be allowed. Investors must contribute at least 25 percent of the total development cost. Loans up to \$25,000 and an additional \$10,000 for lead based paint hazard reduction may be made available in Downtown or Neighborhood Preservation Program areas. The term of the loan will coincide with the rent affordability requirement. Units will be rehabilitated to the HUD Section 8 Existing Housing Quality Standards (HQS) or UPCS, or its replacement, and include addressing all local code items.
2. Loans to the owners of MSHDA financed multi-family developments will be made, at the sole discretion of MSHDA, for the rehabilitation of the development. Funding will only be available to the extent MSHDA determines that reserve levels are not adequate to cover the costs and still maintain an adequate balance for future needs. Funding will generally be limited to a maximum of \$14,999 per unit. Units will be rehabilitated to the HUD Section 8 Existing Housing Quality Standards (HQS) or UPCS, or its replacement, and include addressing all local code items.

4. Homebuyer Assistance Programs

a. Acquisition/Development/Resale Assistance. MSHDA will make funds available through grants or loans to eligible nonprofit organizations and to local units of government or may loan HOME funds to for-profit developers, for the purpose of newly constructing, acquiring and/or rehabilitating units for sale to low and moderate income families. The maximum amount of HOME funds that a grantee may invest in a home is the per unit dollar limits established by HUD under Section 221.514(b)(1) and (c). The appraised value of the properties may not exceed the single family mortgage limits established by HUD. The sale price (purchase price limit) may not exceed the lesser of the appraised value or the HUD maximum appraised value limits.

Grantees may (a) resell the HOME-assisted property to a qualified buyer using affordable financing, (b) sell the property under a lease-purchase agreement to families who will be able to qualify for mortgage financing within 24 months, or (c) use other homeownership models, such as community land trusts, to address the needs of specific markets. The unit must meet HUD Section 8 Existing Housing Quality Standards (HQS) or UPCS, or its replacement, and include all energy conservation items at the time of occupancy. The resale provisions described in Section 12 will be applied to any resale during the affordability term.

b. Down Payment Assistance. MSHDA will provide a down payment assistance program for qualified eligible families, especially first-time homebuyers by making funds available through financial institutions, eligible nonprofit organizations, or local units of government. Maximum downpayment assistance for a household may generally not exceed \$10,000. The homebuyer is responsible for a minimum cash contribution equal to 1 percent of the sales price. As permitted by HUD, homeownership assistance can be used for the balance of the minimum cash requirement to close (including closing costs, prepaids and down payment requirements) as calculated by the lending institution providing the first mortgage. The property's appraised value may not exceed the applicable HUD single family mortgage limit. Mortgage financing is required; land contracts are not eligible.

Additional funds may be provided for rehabilitation of homes receiving downpayment assistance. Where rehabilitation funds are provided at closing as part of a single affordable financing package (1st and 2nd mortgage) based on the increased value of the property. CHDOs may use funding from the CHDO set-aside as developers of the property.

Down payment assistance will be combined with the acquisition/development/resale program. MSHDA may, under this combination of assistance, provide a higher maximum downpayment assistance to (a) achieve affordability or (b) permit recapture of HOME funds upon resale during the affordability period.

A lien will be placed on the property in the amount of the HOME funds. The lien will require repayment of the HOME funds, in accordance with the resale provision described in Section 12, if the property is sold within the term of the affordability period. The assistance may be forgiven after the term of affordability ends except for assistance provided in coordination with MSHDA's single family mortgage programs, which is forgiven at the end of the mortgage term. Any repayments received must be returned to the HOME Investment Trust Fund.

Funds for Down Payment Assistance will be made available (a) to support the activities of the Acquisition/Development/Resale Assistance, (b) in coordination with MSHDA's single family mortgage programs, and (c) where a local nonprofit organization(s) or community demonstrates capacity to provide needed supportive services (such as counseling) or to reach underserved populations.

American Dream Downpayment Initiative

The U.S. Department of Housing & Urban Development established an interim rule for a new downpayment assistance component under the HOME Program referred to as the American Dream Downpayment Initiative (ADDI) effective April 29, 2004. The Michigan State Housing Development Authority (MSHDA) will be the administrator of the State of Michigan ADDI program.

Planned Use of ADDI Funds

MSHDA will provide the ADDI funds, through an agreement with Habitat for Humanity of Michigan, Inc., for first-time homebuyers. Habitat will award the ADDI funds to local Habitat affiliates throughout the state. MSHDA's 2006 goal for minority households assisted with ADDI funds is 25% of ADDI funds disbursed in the program year.

Plan for Conducting Targeted Outreach

MSHDA will require that each local Habitat affiliate receiving ADDI funds conduct targeted outreach to residents and tenants of public and manufactured rental housing, and to other families assisted by public housing agencies. MSHDA will provide an Assisted Housing Directory to each affiliate that identifies all multi-family assisted housing in the locality, contact information for the local public housing authority and contact information for the local MSHDA Housing Choice Voucher agent. Examples of acceptable outreach measures include, but are not limited to:

- Program Notices sent to the Management Agent of local assisted housing;
- Program Notices mailed to residents of local manufactured rental housing developments;
- Program Notices sent to local public housing authorities providing the Housing Choice Voucher Program;
- Program Notices sent to MSHDA's Housing Choice Voucher Family Self-Sufficiency and Housing Choice Voucher Homeownership participants within the county;
- Informational meetings describing application and eligibility requirements;
- Advertisement in a newspaper of general circulation or a publication reaching the targeted audience (i.e., a rental development newsletter).

Homeownership Counseling

MSHDA administers an extensive Homeownership Counseling Network that has been in place for fourteen years. A formal process is in place for Habitat of Humanity affiliates to refer purchasers of Habitat homes to the Network for necessary counseling. Counseling services range from simple home purchase education to in-depth financial literacy and home maintenance training. This counseling arrangement will be expanded to include all ADDI participants.

5. Homeowner Assistance

- a. Eligible Administrators:** MSHDA will make funds available to provide homeowner rehabilitation loans to families with incomes at or below eighty percent (80%) of area median. This program will be administered through either MSHDA direct loans or local administrators. Eligible local administrators include:
1. In CDBG non-entitlement areas; a) local units of government or b) non-profit organizations proposing to administer a homeowner rehabilitation program in eligible, non-participating counties.
 2. In CDBG entitlement areas; local units of government or nonprofit organizations sponsoring a targeted strategy; targeted strategies such as, but not limited to MSHDA NPP, Empowerment Zones, Enterprise Communities, and Renaissance Zones. A 1:1 match will generally be required from the entitlement community.
- b. Maximum Assistance:** Homeowner rehabilitation assistance will generally not exceed \$25,000 per unit, with the following exceptions:
- Substantial rehabilitation costs, including costs attributable to lead-based paint abatement, not to exceed \$35,000;

- c. **Leverage:** Local administrators are expected to leverage funds from other housing programs, such as federal weatherization funding, Rural Development, and MSHDA PIP, as well as to provide in-kind services and local housing funding. Leveraging targets and results will be a factor in determining funding awards.
- d. **Lien Requirements:** MSHDA requires the placement and recording of a lien on properties improved with HOME funds. Exception will be given to rehabilitation assistance loans where the cost of the repairs is at or below \$2,500. Waivers will be considered for other unique circumstances on a case-by-case basis.
- e. **Financing Mechanism:** The minimum requirement is a deferred, non-forgivable loan for any assistance between \$2,501 and \$25,000.
- f. **Targeted Strategies:** MSHDA reserves the right to adjust the criterion (b) through (e) listed above in targeted strategy areas.

6. Special Projects

Community Initiative Models. MSHDA's goal is to maximize the impact of HOME funds on local housing needs through the design of model programs that have broad applicability. The program parameters for these models may sometimes present barriers to innovative and creative responses to unique local situations. Applicants are encouraged to engage in local planning and collaborative efforts involving local government, private funders, lenders, and nonprofit organizations. Where local parties have engaged in such collaborative efforts, MSHDA will consider funding innovative and creative applications for HOME which do not comport with the program parameters of the State's plan. Requests for funding must involve HOME-eligible activities using the applicable HOME regulations.

Empowerment Zones, Enterprise Communities and Renaissance Zones and other state designated target areas. MSHDA will make available HOME funds for other HOME eligible project activities which present innovative or otherwise responsive solutions to identified housing needs for persons residing in one of Michigan's designated Empowerment Zones, Enterprise Communities, and Renaissance Zones. MSHDA reserves the right to determine the scope of these projects and procedures for awarding these funds.

7. Community Housing Development Organizations and HOME

MSHDA will reserve at least 15 percent of its HOME allocation for investment in affordable housing owned, developed or sponsored by Community Housing Development Organizations (CHDOs). CHDO funding will be accessed by certified CHDOs through the eligible program components of the overall State HOME Program. CHDO funding will be used for both rental housing and first time homebuyer activities. The programs where the greatest CHDO participation is anticipated are the two components of the HOME Equity Enhancement and the Acquisition/Development/Resale Program.

MSHDA will also reserve up to 5 percent of its total allocation for CHDO operating expenses. Certified CHDOs who are undertaking CHDO eligible activities through the State HOME Program will receive first priority for operational support. Second priority will be given to organizations in Michigan's HUD-designated Empowerment Zones/Enterprise Communities and to CHDOs in non-PJ areas of the state, which are identified by MSHDA as having the potential to undertake CHDO-eligible activities within the time-frame specified by HUD for the

commitment of FY06 HOME funds. These CHDOs and potential CHDOs will be required to submit work plans and budgets that identify the use of the operating funds. MSHDA will assess the progress of the recipient organization(s) on a regular basis. The disbursement of operating funds will be contingent upon the completion by the organization(s) of set goals within a specified time-frame. MSHDA will also make CHDO pre-development loan assistance available.

MSHDA is currently certifying CHDO organizations statewide and is continuing efforts to identify CHDO eligible organizations in both rural and urban areas. MSHDA will utilize HUD and its own technical assistance funds to build the capacity of Michigan nonprofit organizations to undertake HOME assisted activities and to qualify those organizations as CHDOs.

8. Affirmative Marketing and Outreach to Minority and Women Owned Businesses

All HOME activities will be subject to existing equal opportunity policies and protections in force within the Michigan State Housing Development Authority. In addition, all state recipients of HOME funds for rental activities of properties of five (5) or more must provide a plan which details their efforts to solicit the participation of minority and women owned businesses in the implementation of the program, and an affirmative marketing plan for the marketing of units in HOME assisted projects.

Staff of MSHDA's Office of Community Development will review all affirmative marketing and MBE/WBE plans. The Office of Community Development will also be available to provide technical assistance to grantees, as needed.

9. Affirmative Marketing

MSHDA will implement an affirmative marketing plan to assure that eligible persons from all racial, ethnic, and gender groups in the designated housing market area are aware of and invited to apply for any available housing assistance which it directly administers. The following affirmative marketing requirements apply **only** to structures containing five (5) or more rental units assisted with HOME funds. In addition, MSHDA will provide state recipients with guidance in affirmative marketing of HOME assisted units. The affirmative marketing plans for state recipients must address the following requirements:

a. Informing the General Public. The method for informing the general public of the availability of the HOME Rental Rehabilitation Program will include at a minimum placing an advertisement in a newspaper of general circulation **and** a publication reaching those persons least likely to apply. All advertising will contain the HUD-approved Equal Opportunity logo **and** slogan. All display advertising will contain the logo in a prominent position with the advertisement in letter size equal to or greater than the smallest letters in the ad. Additional outreach to organizations which service disabled persons will be used when a barrier free unit(s) is part of the project.

A summary of the HOME Rental Rehabilitation Program guidelines and the ongoing affirmative marketing requirements will be made available at the state recipient's office and at other designated public places.

b. Informing Potential HOME-Assisted Property Owners. Upon initial contact with the property owner, the state recipient will inform interested property owners of the HOME Rental Rehabilitation Program Guidelines, the Fair Housing Laws and of their obligations and

responsibilities under the HOME program guidelines. Copies of the HUD publication **Fair Housing-It's Your Right**, as well as other written materials will be provided to the property owners.

c. Property Owner Obligations. At the time of application, upon request of the state recipient the property owner shall issue letters to tenants currently occupying units to be rehabilitated and submit copies of those letters to the state recipient.

i. Vacancies. The property owner shall agree that he/she **will** notify the state recipient immediately upon learning that a rehabilitated unit will become vacant. The property owner **will** also send notification to the local PHA and one predetermined local agency or nonprofit that assists families with affordable housing services.

The property owner may simultaneously inform the general public, about the availability of rehabilitated units, by advertising for tenants in a paper of general circulation and a publication reaching those persons least likely to apply, using the Equal Housing Opportunity logo in display ads or "EHO" in line ads.

The property owner shall keep track of new tenants (race, ethnicity, gender, income, family size and rent) and notify the state recipient of all new occupancies and vacancies. All pertinent rental and statistical data, throughout the term of the agreement shall be reported to the state recipient, at least annually, and at other times as requested by the state recipient.

ii. Informing Potential Tenants. While taking applications to fill a vacancy, the property owner shall keep documentation of **all** applicants for the vacancy.

d. HOME Rental Rehabilitation Agreement. The state recipient shall prepare an Agreement with each property owner, which describes in part their willingness to comply with the affirmative marketing requirements. The affirmative marketing requirements shall remain in effect for the term required by the HOME regulations.

e. Record keeping. Property owners will, on an annual basis contact the state recipient to identify the race, ethnicity, gender, income, family size and rent of tenants. The state recipient will maintain records of flyers or ads and a list of contact dates with special outreach agencies. Property owners will provide, where possible, data on how applicants learned about the housing opportunities.

f. Assessment. The state recipient will assess affirmative marketing efforts made by property owners as follows:

- To determine if good faith efforts have been made: Property owners' records shall be examined for actions they have taken; those actions shall be compared with the affirmative marketing policy in their contractual provisions. If the state recipient finds that the required actions were carried out, it will be reasonably concluded that the property owners have made good faith efforts to comply.
- To determine results: Property owners' affirmative marketing efforts will be assessed to determine whether persons from all of the racial and ethnic groups in the state recipients area have become tenants in the HOME assisted rehabilitated units. If the groups are representative, we will assume that the property owners have complied with the affirmative marketing policy.

g. Remedies for Noncompliance with Affirmative Marketing Requirements. If a property owner fails to comply with the policy and any applicable federal laws regarding the affirmative marketing policy, the property owner will not be allowed to continue to participate in the rental program. The restriction would be lifted at such time when the property owner supplied the state recipient with a corrective action plan that sufficiently demonstrates the steps he/she will take to correct and comply with applicable Federal Housing Laws and the affirmative marketing policy.

10. Outreach to Minority and Women Owned Businesses

MSHDA will make efforts to encourage the use of minority and women's business enterprises in connection with HOME funded activities. At a minimum, MSHDA will undertake the following steps:

- Work with the Michigan Department of Civil Rights to maintain and expand its inventory of Minority Business Enterprises (MBEs) and Women Business Enterprises (WBEs);
- Provide copies of MSHDA's MBE/WBE directory to state recipients and others;
- Promote affirmative procurement policies in promotional material and media announcements about the HOME program;
- Provide information to potential MBEs and WBEs on contract opportunities;
- Develop solicitation and procurement procedures that facilitate involvement by MBEs/WBEs;
- Assure that information is provided to MBEs and WBEs on business opportunities at meetings and seminars; and
- Maintain information and report on the use of MBE and WBE contractors MSHDA in the HOME program.

In addition, MSHDA will monitor the implementation of plans for outreach to minority and women-owned businesses by State recipients and grantees. These plans will at a minimum, require:

- including qualified minority and women's businesses on bid solicitation lists and assuring that minority and women's businesses are solicited whenever they are potential sources of materials or services;
- using the services and assistance of the Michigan Department of Civil Rights, the Michigan State Housing Development Authority, or any similar local agency to identify WBEs and MBEs, as needed;
- if any subcontracts are let, requiring the prime contractor to undertake similar outreach efforts.

11. Match Requirement

The match for the FY06 HOME allocation will be met by a variety of resources, including but not limited to publicly issued debt, property tax abatement, value of donated land and property infrastructure improvements, grants from MSHDA funds, the Michigan General Fund, and private sources, as well as other funding for HOME-eligible projects.

12. Resale Provisions

The federal HOME regulations require that a property purchased with HOME assistance remain affordable in accordance with §92.254(a)(4) of the HOME Regulations:

<u>HOME Investment</u>	<u>Affordability Period</u>
\$1,000 - 14,999	5 years
\$15,000 - 40,000	10 years
\$40,001 - maximum allowable	15 years

The regulations stipulate that the initial homebuyer may sell the property during the term of affordability provided that 1) the initial homebuyer repays the HOME subsidy upon resale (the "recapture" option) **or** 2) the property is resold at a price which both ensures that the owner will receive a fair return on investment and ensures that the property will remain affordable to a reasonable range of low and moderate income buyers (the "reuse" option).

The Michigan State Housing Development Authority (MSHDA) will utilize both recapture options in its homebuyer programs but reserves the right to utilize the reuse option at its discretion. Under the recapture option, MSHDA will require that the initial homebuyer repays the outstanding HOME subsidy at the time of resale. Full repayment will not be required in the case of a resale with no net proceeds or insufficient net proceeds to fully repay the subsidy. The term of affordability will be ended at such time the HOME subsidy is repaid, in whole or in part, to the State Home Investment Fund. The recapture provision will be enforced with a formal agreement with the homebuyer and a recorded lien on the property. Under the second recapture option, "Presumption of Affordability," no lien will be required unless there is a homebuyer subsidy.

Under the reuse option, the homebuyer may sell the property during the term of affordability provided that the following conditions are met:

Subsequent Purchaser: The subsequent purchaser is a low or moderate income household that will use the property as its principal residence. Low or moderate income households are defined as households whose gross annual incomes do not exceed 80 percent of the area median income, adjusted for household size.

Sale Price: The sale price of the property may not exceed the lesser of 1) the appraised value of the property at the time of sale or 2) a sale price that yields an affordable 97% mortgage. A mortgage is considered affordable if the monthly payment for principal, interest, taxes, and insurance (PITI) does not exceed 30 percent of the gross monthly income of a household with an income that is 80 percent of the median income for the area, adjusted for household size. Household size will be determined by using the maximum occupancy standard. If necessary, MSHDA will invest additional HOME funds to assure that the subsequent mortgage is affordable as defined by the HOME Program regulations.

Return on Investment: The sellers' return on investment (fair return) will be limited by 1) the MSHDA fair return formula and 2) the area housing market value. Appreciation realized during the term of homeownership may be shared between the homeowner and MSHDA.

The fair return will equal the sum of 1) the amount of the homeowner's investment and 2) the amount of the standardized appreciation value, less any investment by MSHDA that is required at the time of resale to enable the property to meet HQS, or UPCS or its replacement. The homeowner's investment is calculated by adding the down payment made by the homebuyer from its own resources, the amount of the mortgage principal repaid by the homeowner during the period of ownership, and the value of any improvements installed at the expense of the homeowner. The standardized appreciation value will equal 3 percent of the original purchase price for each year the homeowner holds title to the property, calculated as one quarter of 1 percent per month.

The homebuyer will receive the full amount of the fair return only if sufficient sale proceeds remain after all outstanding debt (excluding repayable HOME contribution), closing costs, and HQS, UPCS, or its replacement required repairs are paid off. Any sale proceeds remaining after payment of the outstanding debt, closing costs, HQS, UPCS, or its replacement required repairs, fair return, and the HOME contribution will be shared fifty/fifty between the homeowner and MSHDA. If necessary, MSHDA will use its share for the purpose of reducing the monthly payment to an affordable level to the subsequent low or moderate income purchaser.

13. Monitoring

MSHDA will monitor the implementation of these plans to determine that good faith efforts have been made to carry out the procedures and requirements specified in the plans, to determine if the objectives have been met, and to take corrective action as necessary.

14. Lead-Based Paint Hazards

In the HOME Program, all properties rehabilitated must meet HUD's Section 8 Existing Minimum Housing Quality Standards (HQS) or UPCS, or its replacement. As lead-based paint requirements are incorporated into HUD's standards, on a statewide level we are continuously addressing lead-based paint issues on housing rehabilitation projects (e.g., homeowner and rental rehabilitation).

Beginning August 11, 2001, the new HUD Lead Based Paint Regulation was put into effect throughout the State of Michigan relative to the HOME Program. Projects begun with HOME funds after January 1, 2002 will be monitored for compliance with the Lead Regulation by MSHDA staff as part of the overall monitoring for the HOME Program.

15. Refinancing

On a limited basis for feasibility purposes, MSHDA will consider, as an eligible cost, the cost to refinance existing debt secured by multi-family housing that is being rehabilitated with HOME funds when the following conditions are met:

1. The multi-family project contains ≤ 11 units except, at the discretion of MSHDA's Executive Director, the number of units may be increased to ≤ 50 units; and

2. The rehabilitation cost of the project is equal to or exceeds the amount to be refinanced; and
3. The refinanced units will have a minimum affordability period of 25 years; and
4. A review of the management practices demonstrates that disinvestment in the property has not occurred, that the long term needs of the project can be met and that the feasibility of serving the targeted population over the affordability period can be demonstrated; and
5. That the investment of HOME funds for refinancing is being made to maintain current affordable units, create additional affordable units, or both; and
6. That HOME funds will not be used to refinance multi-family loans made or insured by any federal program.

MSHDA will consider the use of HOME funds for this purpose and under these conditions for multi-family projects located outside of local Participating Jurisdictions.

16. Unit Goals - Section 215 Affordable Housing

	Total # of Units	HH AMI $0 \leq 30\%$	HH AMI $>30 \leq 50\%$	HH AMI $>50 \leq 80\%$
Home Owner	120	25	60	35
Home Buyer	300	25	115	160
Rental	350	200	100	50
TBRA	160	150	10	0

E. HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA): ONE-YEAR ACTION PLAN

1. Overview

1. The Michigan Department of Community Health (MDCH) administers a broad range of health care services to residents statewide, including services targeted to special needs populations. The Department is organized into five administrations: Administrative Officer for Operations; Medical Services Administration; Health Policy, Regulation and Professions Administration; Public Health Administration; and the Mental health and Substance Abuse Administration. The Division of Community Living within the Mental Health and Substance Abuse Administration manages the HOPWA formula grant. The HOPWA services are contracted to the seven regional project sponsors, **who are also supported by the HIV-AIDS Prevention and Intervention Division of MDCH**. The seven regions (project sponsors) serve all areas of the state except Lapeer, Livingston, Macomb, Monroe, Oakland, St. Clair and Wayne counties (including Detroit). The regions provide scattered site housing assistance, short-term rent assistance, mortgage and utility payments, housing information and advocacy services and supportive services, including transportation, health services, mental health services, case management, life management, and personal assistance services.

2. The project sponsors are the seven regional fiduciaries serving areas of the state outside the counties listed above. In regions where project sponsors subcontract with other providers a competitive bidding process is used. Each region submits a plan of service annually outlining the characteristics and needs of their populations, how they coordinate with other housing, health care and community services, who they plan to serve and how they plan to spend their allocation. Assurance is provided that HOPWA eligible persons from all parts of the state have access to HOPWA resources. Reports detailing numbers served and expenditures to date are submitted quarterly. Regions are provided technical assistance and consultation on an individual basis.

3. Region 2 serves Jackson, Lenawee, and Washtenaw counties in southeastern Michigan. DCH contracts with the HIV/AIDS Resource Center (HARC) to administer services in the region. Region 2 has an estimated 780 people living with HIV/AIDS, of which 522 are reported. Their most recent needs assessment indicated that 17% of the surveyed population report shelter as an urgent concern and 17% report needing assistance with shelter continually. Other priority needs indicated by the needs assessment are: finding safe, affordable housing; advocacy services with community mental health and substance abuse treatment centers; and supportive services (mental health counseling, budgeting services, buddy services, legal assistance and outpatient counseling).

Region 3 serves Allegan, Barry, Berrien, Branch, Calhoun, Cass, Eaton, Hillsdale, Kalamazoo, Saint Joseph and Van Buren counties in southwestern Michigan. DCH contracts with the CARES to administer HOPWA services in the region. Region 3 has an estimated 1140 people living with HIV/AIDS, of which 769 are reported. 75% of Region 3 clients are families requiring assistance with mortgage or rental payment and utilities. Other needs identified by case managers are advocacy (help with securing other types of assistance), home repairs, and supportive services (car repairs, budgeting counseling).

Region 4 serves Clinton, Gratiot, Ingham and Montcalm counties in the mid-Michigan area. DCH contracts with the Lansing Area AIDS Network (LAAN) to provide services in the region. An estimated 570 people are living with HIV/AIDS in Region 4, of which 377 are reported. 36%

of all PLWH/A participating in the Greater Lansing HIV/AIDS Community Consortium needs assessment survey indicated housing was an issue of concern for them. Utility assistance was the top unmet need identified by three focus groups. Advocacy with local landlords is another priority issue identified by staff.

Region 5 serves Ionia, Kent, Lake, Mason, Manistee, Mecosta, Muskegon, Newaygo, Oceana and Ottawa counties in western Lower Michigan. DCH contracts with the Kent County Health Department to administer services for the region. An estimated 1370 persons are living with HIV/AIDS in Region 5, with 924 reported cases. Recent needs assessment and gaps analysis indicate the following priority needs: availability and accessibility of subsidized housing including Section 8; assistance with finding and obtaining housing; client advocacy; availability of emergency funds; and mental health counseling, especially in rural areas. The availability of housing assistance and advocacy was a particular issue in the northern/rural areas of the region.

Region 6 serves Bay, Genesee, Huron, Midland, Saginaw, Sanilac, Shiawassee and Tuscola counties in eastern Lower Michigan. DCH contracts with the Genesee County Health Department to administer services in Region 6. An estimated 1040 persons are living with HIV/AIDS in the region, with 703 reported cases. Focus groups conducted by the Region 6 Care Consortium indicated that direct housing assistance and counseling were priority needs.

Region 7 serves 25 counties in Northern Lower Michigan. DCH contracts with the Munson Medical Center to administer services for the region. An estimated 340 persons are living with HIV/AIDS in the region, of which 166 are reported. The priority needs identified are greater availability of quality, affordable housing and Section 8 resources.

Region 8 serves all 15 counties in the Upper Peninsula of Michigan. DCH contracts with the Marquette County Health Department to administer services in the region. An estimated 200 persons are living with HIV/AIDS in the region, of which 79 are reported. The priority need is the availability of affordable housing.

4. At the local level, all regions participate in community planning processes relevant to PLWH/A and housing, including continuum of care planning bodies, human services planning councils and community housing authorities and coalitions. Because the regions serve multiple counties, some local housing specialists participate on several city/county/regional housing coalitions. For example, in Region 5, the housing specialist serving the northern counties of the region is co-chairperson of the Oceana County Continuum of Care Committee, chairperson of the Mason County Continuum of Care Committee and participating in the Newaygo County Continuum of Care Committee. Consumers are involved in the planning processes through surveys, focus groups and membership in the Care Consortia and other task forces/coalitions.

At the state level, representatives of the HOPWA program participate in the development of the biannual Statewide Coordinated Statement of Need. DCH also works with the Michigan State Housing Development Authority (MSHDA) and the Corporation for Supportive Housing to development subsidized housing resources, supportive housing and funding options to encourage development of low-income housing.

5. The regional HOPWA programs access Family Independence Agency (FIA) emergency funds, Ryan White, Salvation Army, Red Cross, Community Action Agencies, Section 8 and other MSHDA and HUD resources to serve their clients. In addition, supportive services are

accessed from community mental health agencies, substance abuse treatment centers, transportation authorities and health care providers.

2. Program Design

During the 2005 program year, the state was granted \$862,000 from the U.S. Department of Housing and Urban Development (HUD) for Housing Opportunities for Persons with Aids (HOPWA) program. The Michigan Department of Community Health (MDCH), Division of Community Living and Long Term Care will again administer HUD's FY06 HOPWA formula allocation. To assure that comprehensive housing and supportive services are available and meet the needs of people and families living with HIV and AIDS, all fiduciaries must submit a plan that assures that all persons living with HIV/AIDS (PLWH/A) have access to:

1. Direct Housing Assistance (including rent, mortgage payments, and utilities);
2. Housing Advocacy Staff Assistance for:
 - Helping a person find and maintain housing, including permanent housing placement,
 - Creating links in the community for long range housing solutions, such as participation in planning activities with continuum of care, public housing authorities, and housing coalitions,
 - Connecting persons with HIV/AIDS to generic sources of housing (such as Section 8 certificates), financial support (such as SSI) and service dollars (such as Medicaid);

The project sponsor shall ensure that qualified service providers in the area make available appropriate supportive services to the individuals assisted with housing under HOPWA. For any individual with acquired immunodeficiency syndrome or a related disease, who requires more intensive care than can be provided in housing assisted under HOPWA, the project sponsor shall provide for locating a care provider who can appropriately care for the individual and for referring the individual to the care provider.

Funding priorities are in the order listed above with a goal of utilizing 75% of funds for priorities 1 and 2.

The HOPWA Certificate Program will continue throughout 2006. The purpose of the program is to promote housing permanency/stability through the development of a plan for moving the person from a homeless or emergency situation to a stable housing situation, or to maintain an eligible person in their current housing. The program provides for \$200 per month per participant and is intended for specific participants for whom a housing plan has been developed and linkage to supportive services has been made.

MDCH recognizes being housing needy as a condition that can have several causes and effects. An important component, which helps to intervene with access difficulties, is linking the eligible participant with generic housing and services resources. A staff person meets with the eligible person, helps develop a care plan and helps identify strategies to link the person living

with aids with the resources available. Resources such as the HOPWA certificate program are also made available to eligible participants to help stabilize their housing situation.

3. MDCH Goals

The Michigan Department of Community Health (MDCH) strives for a healthier Michigan. To that end the department will:

- Promote access to the broadest possible range of quality services and supports;
- Take steps to prevent disease, promote wellness and improve quality of life; and
- Strive for the delivery of those services and supports in a fiscally prudent manner.

The Michigan Department of Community Health, through the Division of Community Living is dedicated to alleviating problems of being homeless and/or housing needy among persons with special needs. It has taken aggressive leadership in achieving this goal.

4. Program Accomplishments and goals

- Emphasis on concentrating HOPWA resources on direct housing and housing advocacy continued in 2005. Regional projects were encouraged to maximize other sources of funding for supportive services, including Ryan White funds.
- Since the beginning of the HOPWA Certificate Program over 130 eligible participants have accessed this support
- Goal for 2006: regional projects will provide 150 units of rental assistance and 400 emergency housing assistance payments.
- Goal for 2006: pursue additional methods of linking HOPWA resources with permanent supportive housing production in 10 counties in Michigan.
- MDCH provided assistance in increasing the availability of adequate affordable housing for persons living with HIV/AIDS through
 - Administering a HUD Supportive Housing Program Grant;
 - Administering a HUD Shelter + Care Grant;
 - Technical assistance to troubled HUD SHP grantees;
 - Encouragement of local collaborations to increase production of supportive housing units;
 - Encouragement of local collaborations to assure the availability of the maximum number of Section 8 vouchers targeted to people with disabilities;
 - Encouragement of local collaborations on housing development that serves people with special service needs through the low income housing tax credit process;
 - Encouragement of local collaborations on HUD Section 811 units to ensure that adequate services are provided at those units; and
 - Participation in the Michigan Affordable Housing Conference to increase the housing IQ of developers, bankers, local officials and service providers

- Funding of a housing component to the Long Term Care Initiative which will encourage development of supportive housing for persons with long term care needs
- Administering a Nursing Facilities Transition Initiative, which targets Persons who reside in nursing facilities who either no longer require nursing facility care or no longer wish to remain in a nursing facility; persons exiting hospitals who do not wish to enter a nursing facility or who only require a short-term nursing facility stay. Goals of the project:
 - To assure that the needs of persons who have traditionally resided in nursing facilities are included in the planning and development of housing projects.
 - To develop a working model for preventing precipitous admissions to nursing facilities.
 - To inform housing providers regarding supportive services that are available to help persons avoid premature nursing facility admission.
 - To identify a model of access to services that are available outside of nursing facilities.
 - To assure that persons who require only a short-term nursing facility stay are offered the opportunity to return to the community.
 - To identify obstacles to funding services and to develop a uniform funding protocol across affected systems.

5. Obtaining Feedback on the Use of HOPWA Resources

Staff funded with HOPWA resources are encouraged to attend the local Continuum of Care meetings to assure coordination with other agencies and participation in a local planning process for the use of HOPWA funds.

Additionally, MDCH holds meetings at least annually to get feedback on the program and needed changes. Site visits are also planned periodically to get local input into the program.